



AR10

ROMFIELD BUILDING CORPORATION LIMITED

HEAD OFFICE: 333 WILSON AVENUE, DOWNSVIEW, ONT., CANADA • TELEPHONE 636-5110

ROMFIELD BUILDING CORP. (QUEBEC) LIMITED
MONTREAL, QUEBEC: 615 DORCHESTER BLVD., WEST
SUITE 600 TELEPHONE 878-9628

May 1, 1967.

Mr. Luby

File

Dear Shareholder:

Management has decided to notify shareholders as early as possible of the state of affairs within the company. We are, therefore, taking the liberty at this time of sending you a copy of the unaudited financial statement.

The enclosed statement is not expected to substantially differ from the audited statement which will be included in the annual report, to be mailed to you in a few weeks.

While this is an unprecedented step, we feel that it is in the interest of our shareholders to inform each and every one of them that the company suffered a loss over the past year.

The reasons for this loss are explainable and will be fully dealt with in the annual report. Basically, however, this loss has been due to both the tight money situation and the write-down of assets. The tight money situation created a shortage of working capital and the company was forced to dispose of many of its properties at substantial losses.

In the opinion of management, the construction industry has already passed the low point and is now on the upgrade. Indications now point to an easing of tight money and we confidently expect that the industry will eventually pick up to the healthy state it enjoyed a few years back.

Yours very truly,

ROMFIELD BUILDING CORPORATION LIMITED

David Romberg,
President

ljs

Enc.

Wm. Eisenberg & Co.

CHARTERED ACCOUNTANTS
425 University Avenue, Toronto 2, Canada

Telephone 363-4222

- ACCOUNTANTS' COMMENTS -

To the Directors of
Romfield Building Corporation Limited:

Pursuant to your instructions, we have prepared the following statements:

1. Consolidated Balance Sheet as at December 31, 1966,
2. Consolidated Statement of Retained Earnings for the year ended December 31, 1966,
3. Consolidated Statement of Earnings for the year ended December 31, 1966, and
4. Notes to the Consolidated Financial Statements.

These statements have been prepared from the books and records of the Company and from information and explanations received. Inasmuch as all the assets and liabilities have not been verified by us, we are unable to express an opinion on the attached consolidated financial statements.

Toronto, Canada,
April 20, 1967.

WM. EISENBERG & CO.
Chartered Accountants

AR10



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HEAD OFFICE: 333 WILSON AVENUE, DOWNSVIEW, ONT., CANADA • TELEPHONE 636-5110

ROMFIELD BUILDING CORP. (QUEBEC) LIMITED
MONTREAL, QUEBEC: 615 DORCHESTER BLVD., WEST
SUITE 600
TELEPHONE 878-9628

February 14, 1967.

Globe & Mail,
140 King Street West,
Toronto, Ontario.

Gentlemen:

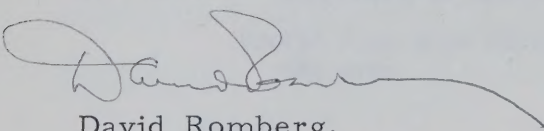
The petition in bankruptcy yesterday filed against Romfield Building Corporation Limited by Mark Advertising Agency Inc., in the opinion of our legal counsel, is without merit and will be vigorously defended.

Romfield Building Corporation Limited was never and is not now indebted to the petitioner in any amount whatever. The petitioner was never engaged by Romfield Building Corporation Limited to perform any services whatever, although, in fact, services were performed for a Quebec subsidiary.

Romfield Building Corporation Limited has more than sufficient assets to meet all of its liabilities.

Yours very truly,

ROMFIELD BUILDING CORPORATION LIMITED



David Romberg,
President
ljs

ROMFIELD BUILDING CORPORATION LIMITED

100 King Street West, Toronto, Ontario, Canada M5X 1C5

ROMFIELD BUILDING CORPORATION LIMITED
100 King Street West, Toronto, Ontario, Canada M5X 1C5

February 14, 1967

Globe & Mail
100 King Street West
Toronto, Ontario

Gentlemen:

The position in Toronto yesterday, February 13, 1967, was a very busy one for the Building Corporation. It was a day of great activity and we were very pleased to have you and your staff in the city.

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ROMFIELD BUILDING CORPORATION LIMITED
100 King Street West, Toronto, Ontario, Canada M5X 1C5

Yours very truly,

ROMFIELD BUILDING CORPORATION LIMITED

David Romfield

President

Is

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
PRELIMINARY CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1966

	<u>1966</u>	<u>1965 for comparison</u>
<u>Income</u>		
Sales - residential houses and developed land (Note 2)	\$ 200,000	\$2,438,872
- multiple dwelling units (Note 2)	2,698,725	6,142,500
- oil and gas (net) and outside exploration	-	(6,796)
Rentals (Note 11)	1,402,139	739,059
Investments	<u>52,793</u>	<u>3,223</u>
	<u>\$4,353,657</u>	<u>\$9,316,858</u>
<u>Expenses</u>		
Cost of sales and administration expenses	\$5,942,889	\$8,220,544
Interest on long term loans	827,955	603,478
Depreciation of fixed assets (Notes 4 and 5)	(18,439)	28,261
	<u>\$6,752,405</u>	<u>\$8,852,283</u>
<u>Net Profit before Income Taxes (Loss)</u>	(\$2,398,748)	\$ 464,575
<u>Income Taxes (Note 8)</u>	(107,630)	233,701
<u>Net Earnings - to Consolidated Statement of Retained Earnings</u>	(<u>\$2,291,118</u>)	<u>\$ 230,874</u>
<u>ROMFIELD BUILDING CORPORATION LIMITED</u> <u>(INCORPORATED UNDER THE LAWS OF ONTARIO)</u> <u>AND ITS WHOLLY-OWNED SUBSIDIARIES</u> <u>PRELIMINARY CONSOLIDATED STATEMENT OF RETAINED EARNINGS</u> <u>FOR THE YEAR ENDED DECEMBER 31, 1966</u>		
	<u>1966</u>	<u>1965 for comparison</u>
Balance at beginning of year	\$1,860,107	\$1,890,029
<u>Add</u>		
Net profit for the year - from Consolidated Statement of Earnings (Loss)	(2,291,118)	230,874
Profit from mine salvage operations for the year	<u>-</u>	<u>6,648</u>
<u>Deduct</u>	(<u>\$ 431,011</u>)	<u>\$2,127,551</u>
Write-down of excess of cost over book value of shares in the wholly-owned subsidiaries (Note 6)	\$ 200,000	\$ 200,000
Prior year's adjustment - payment under guarantee on the sale of the shares of the Exchange and Investment Bank (Note 10)	<u>60,000</u>	<u>67,444</u>
	<u>\$ 260,000</u>	<u>\$ 267,444</u>
Balance at end of year (Deficit) - to Consolidated Balance Sheet	(<u>\$ 691,011</u>)	<u>\$1,860,107</u>

The accompanying notes form an integral part of
the consolidated financial statements.

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
PRELIMINARY CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1966

	<u>1 9 6 6</u>	1965 for <u>comparison</u>
- <u>ASSETS</u> -		
Accounts and mortgages receivable	\$ 1,579,244	\$ 1,990,862
Agreements for sale (Note 2)	3,232,601	2,452,000
Inventories (Note 3)		
- land under development and improved lots	2,609,767	3,570,889
- houses under construction and completed	213,900	208,659
- multiple dwelling units (Note 4)	9,012,651	9,238,415
Advances to Directors	-	5,950
Investments - market value of \$76,700 (1965 - \$94,700)	104,002	118,757
Prepaid expenses and sundry assets	<u>11,747</u>	<u>60,134</u>
	<u>\$16,763,912</u>	<u>\$17,645,666</u>
Equipment and leasehold improvements		
- at cost less accumulated depreciation of \$47,472 (1965 - \$119,952) (Note 5)	<u>\$ 42,759</u>	<u>\$ 244,939</u>
Excess of cost over book value of shares in the wholly-owned subsidiaries (Note 6)	\$ 437,318	\$ 637,318
Advances to affiliates and subsidiaries not consolidated	196,454	95,752
Participation in oil and gas leaseholds (approximately 20%) - at cost to date (Note 7)	201,570	201,570
Mining Properties and Equipment - as valued by the Board of Directors in 1932 with additions at cost and less amounts written off (Note 7)	749,686	749,730
Mining subsidiaries - shares and advances at cost less reserve for unpaid charges (Note 7)	<u>199,963</u>	<u>199,963</u>
	<u>\$ 1,784,991</u>	<u>\$ 1,884,333</u>
<u>Total Assets</u>	<u>\$18,591,662</u>	<u>\$19,774,938</u>

The accompanying notes form an integral part of
the consolidated financial statements.

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
PRELIMINARY CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1966

	<u>1966</u>	<u>1965 for comparison</u>
<u>- LIABILITIES -</u>		
Bank loans (secured) and overdrafts (net)	\$ 369,854	\$ 655,480
Accounts payable and accrued liabilities	2,367,735	2,698,360
Estimated costs to complete the development and construction projects sold (Note 2)	250,000	226,986
Advances from Directors	9,076	-
Income taxes payable (Note 8)	165,106	353,153
Mortgages and loans payable (Note 9)		
- due within one year	13,254,546	3,385,484
- due after one year	-	8,437,668
Debentures Payable - 7%, due November 30, 1968 (Note 12)	<u>708,656</u>	<u>-</u>
<u>Total Liabilities</u>	<u>\$17,124,973</u>	<u>\$15,757,131</u>
<u>Shareholders' Equity</u>		
<u>Capital Stock</u>		
<u>Authorized</u> - 3,000,000 shares without par value		
<u>Issued</u>		
1,647,500 shares	\$ 2,157,700	\$ 2,157,700
<u>Retained Earnings (Deficit)</u> - per statement attached	(<u>691,011</u>)	<u>1,860,107</u>
	<u>\$ 1,466,689</u>	<u>\$ 4,017,807</u>
	<u>\$18,591,662</u>	<u>\$19,774,938</u>
(Contingent Liabilities - Note 13)		

To be read in conjunction with
our report attached dated
April 20, 1967.

WM. EISENBERG & CO.
Chartered Accountants

APPROVED ON BEHALF OF THE BOARD:

D. Romberg Director

E. Donnenfield Director

The accompanying notes form an integral part of
the consolidated financial statements.

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1966

1. Principles of Consolidation

The attached consolidated financial statements include the accounts of the wholly-owned subsidiaries operating in the construction industry under the name of Romfield Building Corporation. All significant inter-company loans and transactions have been eliminated on consolidation.

The consolidated balance sheet and statements of earnings and retained earnings for the year ended December 31, 1965 are shown for comparative purposes only and should be read in conjunction with the notes to the consolidated financial statements in the annual report for that year.

2. Agreements for Sale

Sales of properties are taken into income at the date of acceptance of offers received. The costs to complete these properties, as estimated by management, are included under current liabilities.

During the year, the Sentinels (96 units) were sold to Lombard Developments Limited on a leaseback basis, under an agreement for sale which has not closed to date. The lease is a net, net lease, and provides, inter alia, for

- (1) a term of 99 years with one option for a further 99 years,
- (2) payment of rent for the first 30 years of:-
 - (i) \$31,500.00 per annum payable monthly,
 - (ii) first mortgage principal and interest of \$7,930.00 monthly for 5 years and \$7,388.00 monthly for the next 25 years,
 - (iii) realty taxes
 - (iv) one-third of the amount by which total annual rent and income exceeds the total of \$196,172.00 added to any increase in realty taxes over the first full calendar year of operations, and
- (3) equal participation with purchaser in any sale in excess of the first mortgage at the time of sale.

The attached statements reflect the settlement reached in April, 1967 with Metropolitan Toronto for 26 acres of the 52 acres of the land owned by the Company in the Yorkdale area of North York. The settlement price is approximately \$1,700,000 including interest, less the \$1,000,000 received on account in 1965.

3. Inventories

The company is continuing the policy of allocating, as a cost to each project, a proportion of the general and administrative overhead incurred. Accordingly, these properties are reflected on the balance sheet at cost plus direct carrying charges, such as realty taxes and interest, together with an appropriate proportion of general and administrative overhead.

During the year, in consideration for mortgages arranged, the Company sold the L'Horizon Apartments (Pine and Drummond in Montreal) at cost to a new company in which it retained a 50% interest, but will incur the full loss if the building is sold at less than cost. This sale has been eliminated on consolidation.

Subsequent to the year end, the Company accepted an offer to purchase Westbrook Apartments (301 units) for \$4,250,000, which is the approximate value as shown on the attached financial statements. This sale was closed prior to March 31, 1967.

At December 31, 1966, market values, as estimated by management, exceeded book value by approximately \$500,000.

Handwritten notes:
45% to Lombard
who is
Rush
Toronto
2 Bldgs.
Paper

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1966

4. Multiple Dwelling Units

Since all buildings constructed or under construction are for sale, no depreciation has been taken on these properties on the books of the Company.

Because of the availability of losses, no depreciation is required on these assets for tax purposes. Depreciation taken to December 31, 1965 of \$37,771 will be recaptured for tax purposes on the sale of these properties.

5. Equipment and Leasehold Improvements

These assets, less accumulated depreciation thereon, have been added to the cost of inventories, where applicable. No depreciation has been taken on the remaining assets in the current year. Full depreciation would be approximately \$8,000 for the year.

6. Excess of Cost over Book Value of Shares in the Wholly-Owned Subsidiaries

The Company has adopted a policy of making an annual charge against retained earnings of part of this excess of cost over book value which arose on the purchase of these shares.

7. Oil and Gas Leaseholds, Mining Properties and Mining Subsidiaries

The amounts shown for these assets are not intended to reflect present or future values, and would realize only nominal values on sale at the present time.

No provision has been made in these statements for the amortization of the oil and gas leaseholds in Texas and New Mexico. For income tax purposes, the Company will deduct the maximum amounts allowed or required.

The Company's three inactive mining subsidiaries have not been consolidated herein as their assets, consisting almost entirely of mining properties and deferred expenditures, do not reflect present or future values. Of these subsidiaries, one has in prior years accumulated losses of which the Company's proportion is \$74,031 which is not reflected in the Company's accounts.

8. Income Taxes

Because of the availability of losses, certain income taxes provided in prior years will be recovered, as shown on the Consolidated Statement of Earnings.

The income taxes payable on the Consolidated Balance Sheet represent the taxes payable in certain subsidiaries on the sale of the land in Richmond Hill (Northwood Acres) in 1965. Because of the availability of mortgage reserves under section 85 (G) of the Income Tax Act, these amounts are not payable until the mortgage receivable from Wimpey Construction has been retired.

Any depreciation taken for tax purposes and recaptured on the sale of the properties will be offset by operating losses.

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1966

9. Mortgages and Loans Payable

Since all properties are for sale, these amounts are all shown as due within one year.

Principal repayments are in accordance with the amortization terms of the mortgages and loans and would not reflect the prepayment of principal on sale of the respective properties.

10. Exchange and investment Bank, Zurich, Switzerland in 1963, the Company sold all its shares in the Bank at a loss and on the following terms inter alia:-

(a) the purchaser agreed to pay the 6% first floating charge debentures of \$300,000, payable \$100,000 (U.S. funds) annually on the 23rd day of January in each of the years 1965, 1966 and 1967, with interest from January 23, 1964. These debentures have now been paid.

(b) The vendor guaranteed the accounts receivable of the Bank up to \$125,000 until January 23, 1965, but is entitled to an assignment of any debts so paid. The Company paid \$62,500 (U.S. funds) under this guarantee in 1965 and \$60,000 in 1966 (which amounts have been charged to retained earnings), but is attempting to collect the debts so paid and the remaining receivables. Management estimates that approximately \$50,000 should be recovered, which amount has not been set up in these statements.

The income tax department has assessed withholding tax and interest totalling approximately \$40,000 on this sale, which amount has not been set up in these statements. It is the opinion of tax counsel for the Company that this assessment will be successfully defended.

11. Long Term Leases

During 1964, the Company sold several of its multiple dwelling units on a "lease back" basis for a term of 15 years at a guaranteed annual rent payable by the Company of approximately \$322,000 plus municipal taxes, insurance and maintenance.

12. Debentures Payable

On November 30, 1966, the Company authorized the issue of floating charge, 7%, two-year debentures to a maximum amount of \$950,000 (which amount has now been issued). The terms of the debenture provide, inter alia, that the Company will apply 50% of the net cash proceeds received from the sale or mortgaging of any of its properties towards the pro rata reduction of the outstanding debentures.

13. Contingent Liabilities

These include the usual liabilities in the construction industry for the completion of contracts and the liabilities incurred in the ordinary course of business in dealing with land purchases.